

2013 DRAFTING REQUEST

Assembly Amendment (AA-AB40)

Received:	5/24/2013	Received By:	agary
Wanted:	As time permits	Same as LRB:	
For:	Legislative Fiscal Bureau	By/Representing:	Moran
May Contact:		Drafter:	agary
Subject:	Fin. Inst. - int. rates/loans Fin. Inst. - miscellaneous Fin. Inst. - WCA	Addl. Drafters:	
		Extra Copies:	

Submit via email: **YES**
Requester's email: **Legislative Fiscal Bureau**
Carbon copy (CC) to: **aaron.gary@legis.wisconsin.gov**

Pre Topic:

LFB:.....Moran -

Topic:

paper 275, removing rental purchase company provisions

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	agary 5/24/2013	scalvin 5/24/2013	jmurphy 5/24/2013	_____	mbarman 5/24/2013		

FE Sent For:

<END>

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/P1	agary	/P1 sac 05/25/2013	jm 5/24	self			

FE Sent For:

<END>

Gary, Aaron

From: Moran, Sean
Sent: Friday, May 24, 2013 8:41 AM
To: Gary, Aaron
Subject: RE: DFI

The formal rent-to-own act of JCF was to act on Item #3 of the paper, which can be found in the link below.

<http://legis.wisconsin.gov/lfb/publications/budget/2013-15%20Budget/Documents/Budget%20Papers/275.pdf>

From: Moran, Sean
Sent: Friday, May 24, 2013 8:40 AM
To: Gary, Aaron
Subject: DFI

Hi Aaron,

I walked down the four motions that JCF passed affecting DFI last night, please give me a call if you have any questions regarding those motions (or haven't received them). Also, the Rent-to-Own provisions were entirely removed from the budget.

Thanks,

-Sean

266-8017

Sean P. Moran, Fiscal Analyst
Wisconsin Legislative Fiscal Bureau
One East Main St., Suite 301
Madison, WI 53703

Phone: 608-266-3847

Fax: 608-267-6873

Email: Sean.Moran@legis.wisconsin.gov



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 23, 2013

Joint Committee on Finance

Paper #275

Regulation of Rental-Purchase Companies (DFI)

[LFB 2013-15 Budget Summary: Page 158, #7]

CURRENT LAW

A consumer credit transaction entered into for personal, family, or household purposes is generally subject to the Wisconsin Consumer Act (WCA), which includes Chapters 421 through 427 of the state statutes. The Consumer Act grants consumers certain rights and remedies and contains notice and disclosure requirements and prohibitions relating to consumer credit transactions. Currently, a consumer lease that has a term of more than four months is among the consumer credit transactions that are subject to the WCA. In addition, the Consumer Act applies to any other consumer lease, if the lessee pays or agrees to pay at least an amount that is substantially equal to the value of the leased property and if the lessee will become, or for not more than a nominal additional payment has the option to become, the owner of the leased property. As a result, rental-purchase agreements are subject to regulation under the WCA.

GOVERNOR

Exclude rental-purchase companies and rental-purchase agreements from provisions of the WCA and the Uniform Commercial Code and, instead, create laws specifically governing rental-purchase companies and rental-purchase agreements. The Governor recommends: (a) requiring that rental-purchase companies file notice with, and pay an annual fee to, the Department of Financial Institutions (DFI) to be governed by such laws; (b) specifying what must be disclosed in a rental-purchase agreement and how those disclosures must appear on the form, as well as what items are prohibited from being included in such an agreement; (c) specifying price and cost limitations on rental property; (d) prohibiting any person from requiring a rental-purchase company to disclose an annual percentage rate on a rental-purchase agreement; (e) specifying how a rental-purchase agreement can be reinstated following termination of such agreement; (f) creating regulations for how and when receipts and statements

exemption for rental-purchase agreements entered into by rental-purchase companies, not to exempt other consumer credit transactions that a rental-purchase company may enter into from the WCA and the UCC -- Secured Transactions laws. A technical amendment would be needed to clarify the Governor's intent.

17. Under the Consumer Act, for every document evidencing a consumer credit transaction, the writing must be completed as to all essential provisions prior to signing the document. Generally, no creditor may induce, encourage, or otherwise permit a customer to sign a writing containing blank spaces which are to be filled in after it is signed. The Governor's recommendation creates certain prohibitions specifying what cannot be included in a rental-purchase agreement, which is described in Attachment I under "Prohibited Provisions of Rental-Purchase Agreements;" however, the Governor did not recommend maintaining the current law prohibition on blank spaces in rental-purchase agreements. The Committee could, instead, choose to maintain the current law prohibition of blank spaces on rental-purchase agreements.

18. The WCA contains certain provisions concerning when a consumer credit transaction, including a rental-purchase agreement, is considered to be in default. Current law specifies that a customer is considered in default if the customer has an outstanding balance in excess of one full payment, which has remained unpaid for more than ten days after the scheduled or deferred due date. The merchant must give the customer written notice of the alleged default and, if applicable, of the customer's right to cure any such default. The customer is considered in default 15 days after the merchant gives notice of their right to cure the default. The Governor's recommendation does not include any provisions defining when a customer in a rental-purchase agreement is in default. Presumably, the terms of default and repossession would be specified and disclosed in each rental-purchase agreement under the "disclosure or rental, not purchase" provision described in Attachment II. The Committee could choose to require that a rental-purchase company must follow the current law provisions described above, with regards to when a customer is considered in default of a rental-purchase agreement.

ALTERNATIVES

1. Approve the Governor's proposal with a technical amendment to specify that rental-purchase agreements entered into by rental-purchase companies are exempt from the WCA and the UCC-Secured Transactions statutes, and specify that other types of consumer credit transactions that a rental-purchase company might engage in would continue to be governed under the WCA and the UCC-Secured Transactions statutes.

2. Approve the Governor's proposal with a technical amendment to specify that rental-purchase agreements entered into by rental-purchase companies are exempt from the WCA and the UCC-Secured Transaction statutes, and specify that other types of consumer credit transactions that a rental-purchase company might engage in would continue to be governed under the WCA and the UCC-Secured Transactions statutes. However, specify that one or more of the following modifications apply to laws governing rental-purchase companies:

a. Specify that a rental-purchase company must disclose the annual percentage rate, as

alleged default. Specify that the customer is considered in default 15 days after the rental-purchase company gives notice of their right to cure the default, and specify that the company may then request the surrender of, or repossess, the rental property from the customer.

3. Delete provisions.

ALT 3	Change to Bill	
	Revenue	Funding
PR-REV	- \$104,000	\$0
GPR-Earned	- 94,000	0
PR	- \$10,000	

Prepared by: Sean Moran
Attachments



State of Wisconsin
2013 - 2014 LEGISLATURE

in
5/24



Rm R

LFB:.....Moran – paper 275, removing rental purchase company provisions

**FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40**

1 *in* At the locations indicated, amend the bill as follows:

2 **1.** Page 938, line 20: delete the material beginning with that line and ending

3) on page 951, line 4.

4 **2.** Page 1059, line 5: delete lines 5 to 8.

5 **3.** Page 1072, line 20: delete lines 20 to 22.

6 (END)

